

CITY OF TORRANCE

Budget *at a glance*



2015-2017

Mission Statement

*The Mission of the City of Torrance
is to encourage and respond to community
participation as we provide
for an attractive, clean, safe, secure
and enriching environment that
assures a high quality of life.*

*We evaluate and act on the needs of the
community within a complex,
changing environment.*

*We provide quality service with integrity,
professionalism and accountability
in an efficient and cost-effective manner.*

City of Torrance

FINANCE DEPARTMENT

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Snapshot of Torrance

Population:	148,427*
Peak Daytime Population:	182,159
Area (in sq. miles):	21
Full Time Employees:	1,334
Sworn Fire Employees:	145
Sworn Police Employees:	227
Fire Stations:	6
Police Stations:	1
Police Community Centers:	1
Public Safety Center:	1
Public Libraries:	6
Parks & Recreation Amenities:	49
Parks Acreage:	285
Miles of Sidewalks:	550
City Trees:	47,000

* California Department of Finance, May 2015
<http://www.dof.ca.gov/research/demographic/reports/estimates/c-1/view.php>

City Manager Message

The budget reflects a continuing effort of using economic resources of the City to address the primary needs of the community. It preserves necessary reserves, lives within the boundaries of current revenue sources and continues to use one-time funding for one-time budget modification requests, capital outlay and capital projects. Many of the actions contained within the budget are also forward looking, addressing our debt and our infrastructure as well as the City's operations.

Budget Summary

- ❖ The two-year operating budget is balanced for the 2015-17 fiscal years. The budget is essentially a no growth budget for the 2015-16 fiscal year and holds the growth of the 2016-17 fiscal year budget at 2.2%, which is consistent with the five-year forecast presented in 2014-15. Additional budget projections through fiscal year 2019-20 are also balanced.
- ❖ Beginning January 2016, the State will begin the unwinding of the "triple-flip" and the 0.25% of sales tax will return to the City's budget with a corresponding reduction in property tax. It is expected that by August 2016 the "triple-flip" will be fully unwound and the City will receive the final payment/reconciliation of monies due to the City.

General Fund Revenues

- ❖ 70% of General Fund revenues are derived from three revenue sources: Sales Tax (\$48.6 million), Property Tax (\$47 million), and Utility User's Tax (\$34.2 million)
- ❖ Sales Tax – represents approximately 26.3% of General Fund revenue. Recent economic retail sales indicators are projecting a 1.9% sales tax revenue increase from fiscal year 2014-15 budget, reflecting moderate growth through the end of fiscal year 2015-16.
- ❖ Property Tax – with a strong property tax base of \$26.1 billion, consisting of a mix of high-end residential properties and sizable industrial, commercial and retail components, property tax revenues are projected to grow at about 4.0% annually.

General Fund Revenues

- ❖ Utility User's Tax (UUT) – UUT revenues are projected to grow modestly over the five-year forecast. As the cost of power increases, more and more users are migrating to energy saving appliances, lighting and solar power which impacts this revenue source.

Balancing the 2015-17 Budget

The fiscal year 2015-16 budget is balanced, requires no reductions, and continues to address long-term strategies. It is a reflection of City policies and goals and is consistent with the City's Strategic Plan. Here are some highlights of the budget:

PUBLIC EMPLOYEES PENSION & OTHER POST EMPLOYMENT BENEFITS (OPEB)

- Labor contracts for Police and Fire expire June 30, 2017 and Miscellaneous employee contracts expire December 31, 2017. All groups are also scheduled to receive the last remaining increase for the current contracts of 4% on January 1, 2016, which had been planned for in our five-year projection and is funded.
- Since fiscal year 2009-10, new employees have paid 9% (for Safety) and 7% (for Miscellaneous) of pension costs. Beginning 2013 new employees to PERS contributed half of their "normal cost" of pension benefits as follows:
 - Fire safety employees - 12.5%
 - Police safety employees - 15%
 - Miscellaneous employees - 6.75%
- All of the changes that PERS has announced or has made have been incorporated into this year's budget as well as the five-year forecast. This includes:
 - Decreasing the return on investments by 0.25% to 7.5%
 - Limiting the amortization to no greater than 30 years (fixed)
 - Increasing the mortality rates
 - The lower than expected return on investments for the current fiscal year
- These changes reduce City costs as current employees retire and new employees are hired under the 2013 benefit formulas. To date, this has transferred \$3.34M in costs to employees and will continue to grow as new hires share in pension costs.
- "Other Post Employment Benefits" (OPEB) continue to be fully funded including the actuarial change to not have current employees subsidizing retirees. Other Post Employment Benefits are mainly for health benefits for retirees of roughly \$115 a month for Miscellaneous retirees and up to an additional \$130 to \$225 a month for Fire and Police retirees.

SELF-INSURANCE FUND

- The Reserve for Self-Insurance has been declining over the past several years. In an effort to supplement its reserves, a one-time General Fund contribution in the amount of \$2.0 million will be made during the 2015-16 fiscal year, an ongoing \$300,000 increase in the 2016-17 fiscal year, and an additional \$100,000 each year after that through the five year forecast.

REDEVELOPMENT AGENCY (RDA)

- The City continues to deal with the State's action to eliminate redevelopment agencies (RDA) and continues to follow court cases and legislation on the matter.

TAX REVENUE ANTICIPATION NOTES (TRAN) & CERTIFICATES OF PARTICIPATION (COP's)

- Tax Revenue Anticipation Notes (TRANs) are one-year notes used to assist the City with its seasonal cash flows. Issuing a TRAN allows the City to pre-pay PERS at a 3.5% discount while the cost of the TRAN is about 0.5% to 1.0%, saving the City \$600,000 annually.

BUILDING MAINTENANCE

- As City buildings age, more maintenance is required. For the 2016-17 fiscal years, \$500,000 will be budgeted annually for building maintenance projects and an additional \$100,000 for each of the next three fiscal years. These past few years, building maintenance projects have been funded through the availability of year-end carryover. This budget moves the funding back into routine operational expense.

USE OF ONE-TIME RESERVES

- The City's current balance for the Economic Anomaly Fund is \$14.5 million. The funding policy for the Economic Anomaly Fund is 10% of the combined General Fund, Parks & Recreation Fund, Cultural Arts Center Fund, Animal Control Fund and the Emergency Medical Service Fund net adopted appropriation level, or about \$18.5 million. This reserve provides some flexibility to smooth out economic swings, one-time loss of major revenue streams, buffer the loss of State and Federal revenues and support City operations during emergencies such as natural disasters.

ENTERPRISE OPERATIONS

- The utility related enterprise funds – Water, Refuse and Sewer – will seek consumer price index increases through the Proposition 218 hearing process later in 2015. The Water and Sanitation Funds have had approved rate increases to fund additional infrastructure and, in the case of Sanitation, to expand the “green waste” program. The Sewer rates have not been changed since July 2011.

CULTURAL ARTS CENTER

- The CAC continues to have structural budget issues where expenditures exceed revenues. A one-time transfer of \$300,000 was made to assist with the fund's negative cash balance. A more permanent solution to assist in overall balancing will be addressed in future budgets.

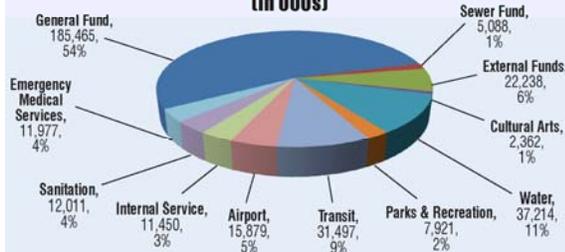
TRANSIT

- An additional \$2 million annually from the Los Angeles County Measure R Funds was provided to the Transit Fund to assist with operations and capital needs. Measure R was approved in 2008 to fund transportation projects and improvements through a half-cent sales tax.

TORRANCE CULTURAL ARTS CENTER FOUNDATION (TCACF)

- City support for TCACF has been increased in the amount of \$59,980 for the second consecutive year to \$169,400.

2015-16 Expenditure Budget Summary for All Funds* (in 000s)



TORRANCE ROSE FLOAT ASSOCIATION (TRFA)

- Two one-time \$125,000 contributions will be made to the Torrance Rose Float Association to cover partial cost of the City of Torrance floats for the 2016 & 2017 Pasadena Tournament of Roses Parades. The TRFA will cover the remaining cost of the float.

Program Modifications

Council approved program modifications recommended by the City Manager that are considered necessary to maintain the City's high quality, efficient service delivery, including the following:

- ❖ **Fire** – Funding for a contracted Medical Director was added to ensure the delivery of safe and effective medical care by Emergency Medical Service personnel.
- ❖ **Fire** – Implementation of an Electronic Patient Care Reporting (ePCR) system which allows Fire Paramedics to digitally send patient information to receiving hospitals.
- ❖ **Police** – 1.0 Police Service Officer was added to the Services Division.
- ❖ **Community Services** – Upgraded the computing capacity at Madrona Marsh Nature Center in order to enhance operations.
- ❖ **Community Services** – Added safety enhancements to the Farmer's Market which includes a security system, street banners, and the implementation of the Electronic Benefit Transfer (EBT) Program. The addition of 0.4 Recreation Leader position and security guard services was also made to help improve safety and enhance security at the Farmer's Market.
- ❖ **City Manager** – An increase to the City Council travel budget was made to allow attendance at key advocacy and educational events.
- ❖ **City Manager** – 1.0 Management Associate position was added in Cable TV to assist with an increase in community relations activities.
- ❖ **General Services** – 1.0 Administrative Analyst and 1.0 Mechanic position added to the Fleet Services Division.
- ❖ **Public Works** – Purchase of an asphalt paver was approved in order to increase road resurfacing productivity.
- ❖ **Public Works** – Implementation of a New Water Apprenticeship Program, which will prepare participants for Water Tech I positions.
- ❖ **Transit** – 1.0 Deputy Transit Director, 2.0 Administrative Analysts, 1.0 Planner/Scheduler, 1.0 Auto Body Mechanic, 1.0 Electronic Equipment Mechanic, and 2.0 Transit Supervisor positions added to support service expansion. 2.0 Transit Dispatchers positions were eliminated. These newly added positions by Transit will be funded by Los Angeles County's Measure R Funds.
- ❖ **The Torrance Transit Regional Park and Ride Center** – For fiscal year 2016-17, Council approved the addition of 1.0 Facilities Service Supervisor, 1.0 Equipment Attendant, 2.0 Transit Supervisors, 1.0 Mechanic, 2.0 Senior Mechanics, and 2.0 Customer Service Representative positions to assist with the efficient operation of the new center. Positions will be funded by federal and local transit revenues.

Pending Reorganizations

- ❖ **Transit** – The addition of 1.0 Human Resources Technician and 1.0 Staff Assistant position will be added once funding has been acquired.
- ❖ **Library** – The City is looking at staffing changes to better meet the needs of library patrons of the City's 6 libraries.

2015 - 2017 OPERATING BUDGET SUMMARY

General Fund Revenues:	2015-16	%	2016-17	%
Sales Tax (includes triple flip*)	48,687,000	26%	50,340,000	27%
Utility Users' Tax	34,252,000	19%	35,315,000	19%
Property Taxes	47,032,000	26%	49,127,000	26%
Business License Tax	9,549,000	5%	9,882,000	5%
Occupancy Tax	10,612,000	6%	11,183,000	6%
Other Taxes	8,161,000	4%	8,540,000	4%
Grants and Subventions	1,410,000	1%	1,410,000	1%
Use of Money and Property	3,528,000	2%	3,595,000	2%
Charges for Services	5,844,000	3%	5,951,000	3%
Transfers	12,685,000 **	6%	10,124,000	5%
Other Revenues	3,705,000	2%	4,050,000	2%
Total General Fund Revenues	\$185,465,000	100%	\$189,517,000	100%

General Fund Expenditures:				
Public Safety ***	115,218,000	62%	118,733,000	63%
Public Works	12,425,000	7%	12,642,000	7%
Community Development	7,524,000	4%	7,734,000	4%
Community Services	16,104,000	9%	16,353,000	8%
General Government	24,772,000	13%	25,214,000	13%
Transfers/Non-Departmental ****	9,422,000	5%	8,841,000	5%
Total General Fund Expenditures	\$185,465,000	100%	\$189,517,000	100%

* In 2004, the California Economic Recovery Bond Act, (commonly referred to the Triple Flip), changed the distribution of sales and use taxes to schools and local governments, reducing local government's share of sales tax by 0.25%. Diverted sales taxes were replaced with property taxes shifted from the school district's Educational Revenue Augmentation Funds (ERAF), then school district ERAF losses were offset by increased state education aid under proposition 98 minimum guarantee.

** Includes a \$2.6 million transfer from the Airport Fund in 2015-16 above the 2016-17 budget.

*** Includes operational support funding for the Emergency Medical Services (Paramedic) Fund and Animal Control Fund.

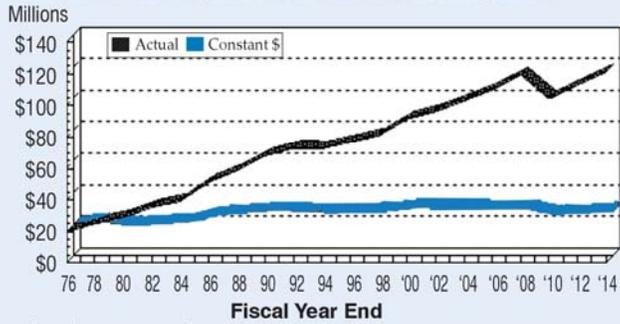
**** Includes operational transfers to Parks and Recreation, Cultural Arts Center, and Self Insurance Funds.

	2015-16	2015-16	2016-17	2016-17
Internal Service Funds:	Revenues	Expenditures	Revenues	Expenditures
Fleet Services	\$ 6,748,000	\$ 6,308,000	\$ 6,748,000	\$ 6,379,000
Self Insurance	6,594,000	5,142,000	5,164,000 *	5,164,000
Total Internal Service Fund	13,342,000	11,450,000	11,912,000	11,543,000
Enterprise Funds:				
Airport	15,879,000 *	15,879,000	13,143,000 *	13,143,000
Transit	31,497,000 *	31,497,000	32,614,000 *	32,614,000
Water	38,899,000	37,213,000	40,153,000	37,333,000
Emergency Medical Services Fund	11,977,000 *	11,977,000	12,310,000 *	12,310,000
Sanitation	12,055,000	12,011,000	12,169,000	12,091,000
Sewer	5,088,000 *	5,088,000	5,095,000 *	5,095,000
Parks & Recreation (fee activities)	7,921,000 *	7,921,000	8,024,000 *	8,024,000
Cultural Arts Center	2,362,000 *	2,362,000	2,343,000 *	2,343,000
Total Enterprise Funds	125,678,000	123,948,000	125,851,000	122,953,000
Other External Funds:	22,803,000	22,239,000	23,078,000	22,514,000
Less Internal Services/Transfers **	(51,991,000)	(50,099,000)	(46,878,000)	(46,508,000)
TOTAL CITY BUDGET	\$295,297,000	\$293,003,000	\$303,480,000	\$300,019,000

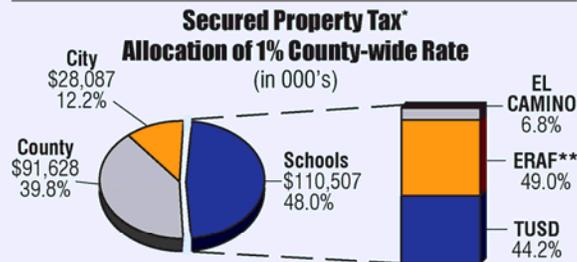
* Includes liquidation/use of fund balance.

** To offset transfers between funds such as the General Fund subsidy to Parks and Recreation Fund.

**Sales, Utility Users', Secured Property
Business License, Motor Vehicle & Occupancy Taxes**



Actual average annual growth rate is 4.9%
 Constant dollars (real growth) average annual growth rate of 0.9%
 Note: Constant dollar figure adjusts for inflation using CPI (base year = 1976).



* Secured Property Tax - levied on real properties in the City which are secured by liens on the properties.

** Education Revenue Augmentation Fund (ERAF)

Note: Allocation based on 2013-14 actual secured property tax of \$28,087,124.

Distribution of Property Tax

Assessed Value = \$341,000
 County 1% rate = \$ 3,410



**2015-16 General Fund
Operating Budget by Function**

